THE WAREHOUSE GROUP LIMITED

2012 Full Year Result and Strategy Update

Friday, 7 September 2012

F12 Results Summary

- Sales up 3.9% to $1,732.2 million
- Gross profit up 2.6% to $622.1 million
- Reported NPAT up $12.0 million to $89.8 million
- Adjusted NPAT of $65.2 million down 14.3%
- Building momentum with strong H2 sales and gross profit growth
- Operating cash flow of $44.5 million down $52.4 million
- Final ordinary dividend of 6.5 cps, fully imputed at 30%

H2 F12 RESULTS

The Warehouse Group H2 Results

NZ millions	H2 F12		H2 F11	Variance
Sales	**794.2**	⬆	**759.8**	+4.5%
Gross Profit	**284.6**	⬆	**269.8**	+5.5%
Gross Margin	*35.8%*	⬆	*35.5%*	+ 30 bps
CODB	**256.1**	⬇	**234.6**	+9.1%
CODB Margin	*32.2%*	⬇	*30.9%*	+130 bps
Operating Profit	**28.5**	⬇	**35.2**	-19.0%
Operating Margin	*3.6%*	⬇	*4.6%*	-100 bps
NPAT (Reported)	**35.8**	⬆	**25.5**	+$10.3m
NPAT (Adjusted)	**18.5**	⬇	**23.1**	-$4.6m
Capital Expenditure	69.7		41.2	+$28.5m
Stock	309.4		262.7	+$46.7m

- Normalised for timing inconsistencies in the recognition of employee costs between financial years, H2 operating profit would have been 7.8% lower than H2 F11 vs 19.0%

Building momentum with Strong Sales, Gross Profit and Gross Margin growth in H2

The Warehouse H2 Results

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NZ millions	H2 F12		H2 F11	Variance
Sales	**688.4**	↑	**654.9**	+5.1%
Gross Profit	**239.0**	↑	**225.0**	+6.2%
Gross Margin	*34.7%*	↑	*34.4%*	+30 bps
CODB	**220.3**	↓	**200.3**	+10.0%
CODB Margin	*32.0%*	↓	*30.6%*	+140 bps
Operating Profit	**18.7**	↓	**24.8**	-24.3%
Operating Margin	*2.7%*	↓	*3.8%*	-110 bps
Capital Expenditure	27.6		22.1	+$5.5m
Stock	268.2		226.5	+$41.7m

Strong Sales, Gross Profit and Gross Margin performance in H2, partially offsetting increased CODB

The Warehouse H2 Sales Highlights

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- SSS increased by 2.5% in H2 (3.8% Q4), for 6th consecutive quarter of growth
- Every category grew sales, key performers were Jewellery, Consumer Electronics, Health & Beauty, Women's & Men's Apparel
- "Every Day Family Needs", Leisure, Technology & Stationery, and Home categories increased both volume and average selling price vs H2 F11
- H1 Apparel performance largely resolved with H2 volume, sales and gross profit up vs F11, footwear sales and margins remained a challenge
- Every category grew gross profit, key performers were Health & Beauty, Stationery, Women's & Men's Apparel, Gardening and Consumer Electronics
- CODB was up vs H2 F11 primarily reflecting increased spending in store labour and advertising. Fixed costs were held flat vs F11 as a result of cost reduction initiatives
- Stock levels were $41.7m higher than F11 reflecting the ongoing investment required to improve availability & seasonal entry and support sales and margin growth initiatives

Warehouse Stationery H2 Results

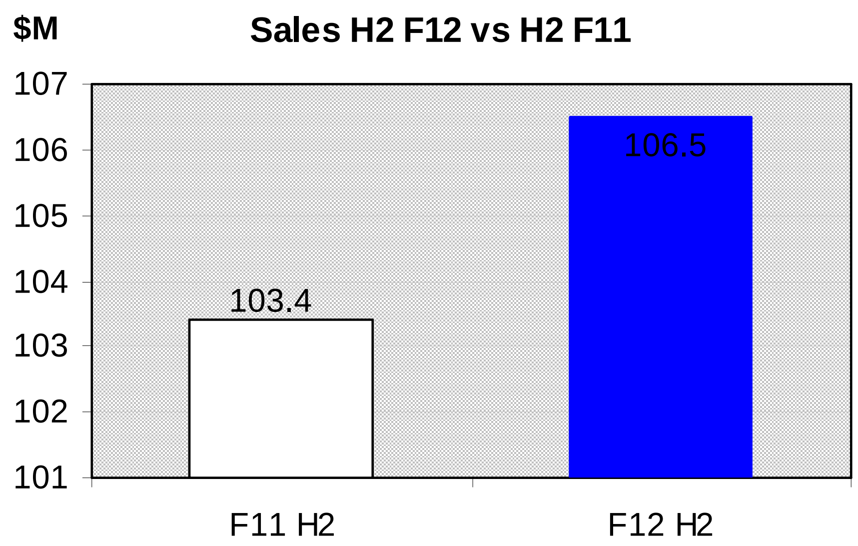
warehouse stationery

NZ millions	H2 F12		H2 F11	Variance
Sales	**106.5**	⬆	**103.4**	+3.0%
Gross Profit	**43.5**	⬆	**42.8**	+1.6%
Gross Margin	*40.8%*	⬇	*41.4%*	-60 bps
CODB	**36.7**	⬇	**36.4**	+1.1%
CODB Margin	*34.5%*	⬆	*35.2%*	-70 bps
Operating Profit	**6.7**	⬆	**6.4**	+4.8%
Operating Margin	*6.3%*	⬆	*6.2%*	+10 bps
Capital Expenditure	3.6		3.2	+$0.4m
Stock	39.1		34.4	+$4.7m

Strong Sales and Gross Profit growth resulting in a 4.8% improvement in operating profit

Warehouse Stationery H2 Highlights

- SSS increased by 3.7% in H2 and 3.3% in Q4, for the 16th consecutive quarter of sales growth
- Sales growth of $3.1m vs H2 F11
- $2.0m additional sales from HOTO (primarily technology offsetting a reduction in furniture), $1.0m sales from Stationery (largely postal) and $0.4m from CLP
- Continued rollout of nationwide retail footprint, with three store openings in New Plymouth Central, Rangiora, and Te Rapa (The Base)
- Reopening of 2 'insurance affected' stores in Hamilton and South City



F12 RESULTS

The Warehouse Group F12 Results

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NZ millions	F12	F11	Variance
Sales	**1,732.2**	**1,667.8**	+3.9%
Gross Profit	**622.1**	**606.3**	+2.6%
Gross Margin	*35.9%*	*36.4%*	-50 bps
CODB	**525.6**	**492.2**	+6.8%
CODB Margin	*30.3%*	*29.6%*	+70 bps
Operating Profit	**96.5**	**114.1**	-15.5%
Operating Margin	*5.6%*	*6.8%*	-120 bps
NPAT (Reported)	**89.8**	**77.8**	+12.0m
NPAT (Adjusted)	**65.2**	**76.0**	-$10.8m
Operating Cash flow	44.5	96.9	-$52.4m
Ordinary Dividend	20.0 cps	22.0 cps	-2.0 cps
ROFE	20.4%	28.3%	- 790 bps

F12 Results reflect H2 momentum partially offsetting H1 apparel performance

The Warehouse Group F12 Sales Highlights

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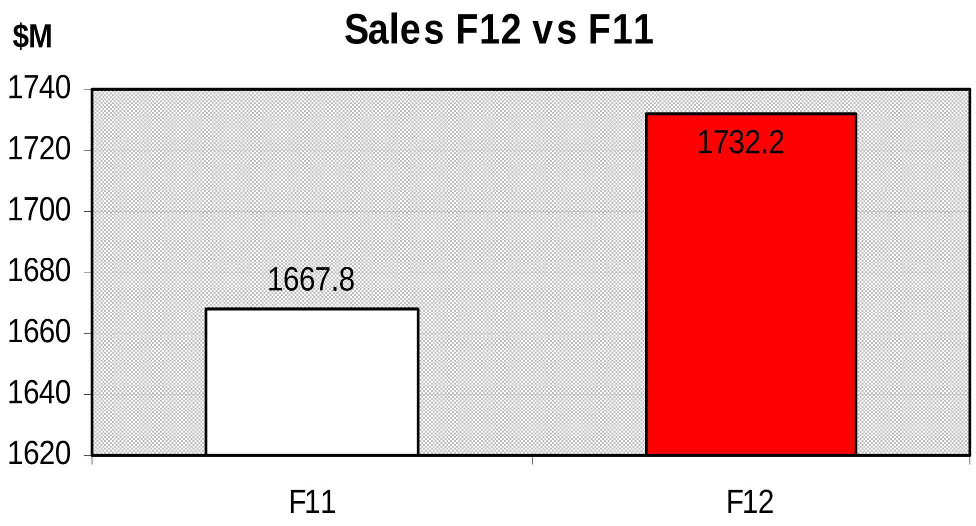
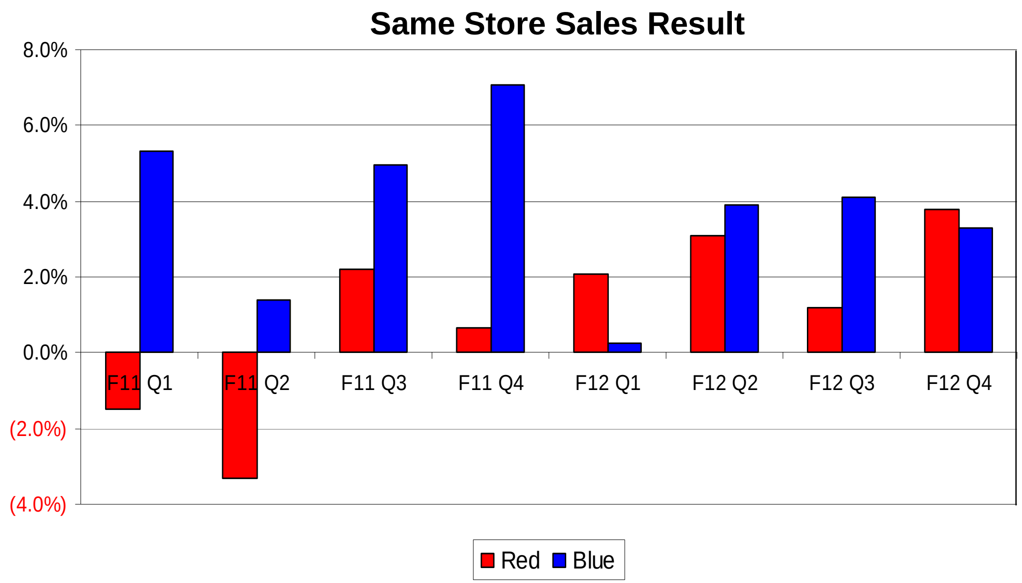
- Sales growth of $64.4m vs F11 (3.9%) has seen sales increase to 2008 levels
- First year of sales growth greater than $60m since 2004
- Strong performance in key growth categories of Consumer electronics, Women's & Men's Apparel, Health & Beauty, Jewellery, Baby Care
- Positive consumer spending trends with transaction growth of 1.0% and basket size growth of 3.2%
- Several initiatives implemented in July / Aug that will have a positive impact on F13 results (Biz Rewards, Red Alert, Full range online)



The Warehouse Group F12 SSS Highlights

- Same store sales in The Warehouse increased by 2.6% in F12 and 3.8% in Q4, for the 6th consecutive quarter of same store sales growth
- SSS in Warehouse Stationery continued a strong run of 16 quarters of growth increasing by 3.0% in F12 and 3.3% in Q4
- Positive indicators of share growth in several key categories including Jewellery, Audio Visual, Communications and Health & Beauty
- Strong sales results have seen The Warehouse share of non food retail sales increase in Q4, one quarter's performance does not constitute a trend, however this is encouraging



The Warehouse Group F12 GP Highlights

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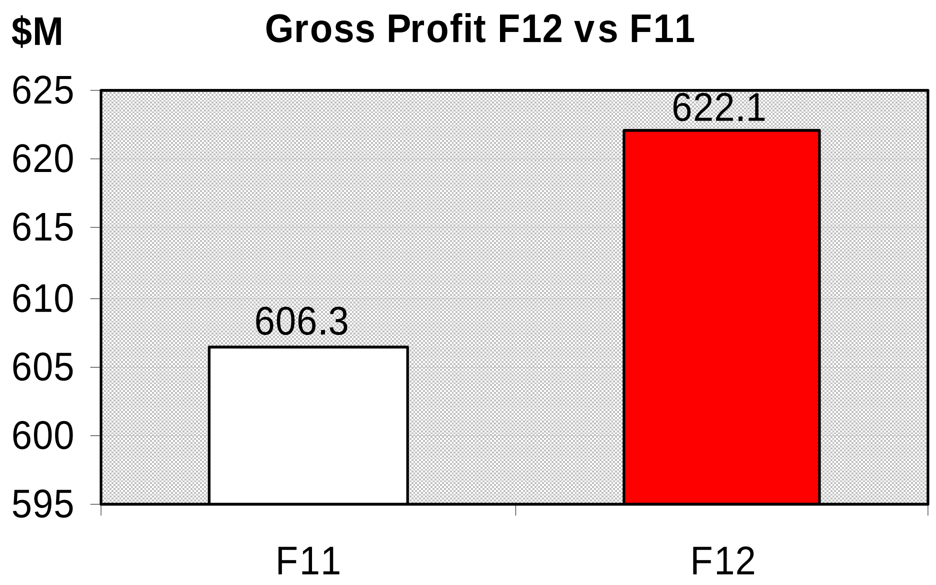
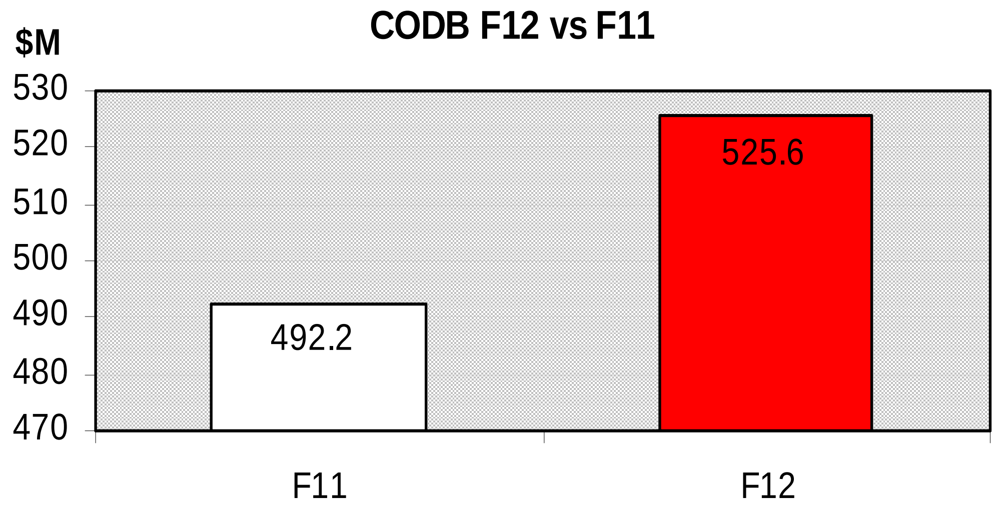
- First year of gross profit growth since 2009
- Gross profit growth of $15.8m vs F11 (2.6%), every category grew gross profit (except apparel due to H1 performance). Key performers were Health & Beauty, Baby Care, Jewellery, Indoor Furniture and Books
- Solid gross margin growth in Health & Beauty, Music and DVD's, Hardware, Housewares, Automotive, Indoor Furniture, Books and Gaming
- Gross Margin down 50 bps vs F11 primarily due to H1 Apparel performance



The Warehouse Group CODB / NPAT Highlights

- CODB margin increased 70 bps reflecting labour and advertising spending decisions to drive sales and gross profit growth
- While total CODB grew in H2, fixed costs remain flat vs H2 F11 due to cost focus
- Reported NPAT of $89.8m
- Adjusted NPAT of $65.2m, at the upper end of guidance
- Trading momentum in H2 resulted in positive earnings momentum in H2



The Warehouse Group H2 vs H1

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NZ millions	F12 H2	F11 H2 Var.	F12 H1	F11 H1 Var.
Sales	**794.2**	+4.5%	**937.9**	+3.3%
Gross Profit	**284.6**	+5.5%	**337.4**	+0.3%
Gross Margin	35.8%	+30 bps	36.0%	-110 bps
CODB	**256.1**	+9.1%	**269.5**	+4.6%
CODB Margin	32.2%	+130 bps	28.7%	+30 bps
Operating Profit	**28.5**	-19.0%	**67.9**	-13.9%
Operating Margin	3.6%	-100 bps	7.2%	-150 bps
NPAT (Reported)	**35.8**	+$10.3m	**54.0**	+$1.7m
NPAT (Adjusted)	**18.5**	-$4.6m	**46.7**	-$6.3m

- Normalised for timing inconsistencies in the recognition of employee costs between financial years, H2 operating profit would have been 7.8% lower than H2 F11 vs 19.0%

Stronger performance in H2 vs H1 compared to F11

Segmented Operating Profit

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NZ millions	F12	F11	Variance
The Warehouse	80.9	98.8	-18.1%
Warehouse Stationery	9.8	10.1	-2.6%
Other Group Operations	5.8	5.2	+9.3%
Total Operating Profit	**96.5**	**114.1**	-15.5%
Financial Services	3.2	3.6	-10.6%
Unusual Items	25.5	1.7	N/A
Reported EBIT	**125.2**	**119.4**	+4.9%

Deterioration in The Warehouse operating profit offset by gains on property disposals

Reported vs Adjusted Results Reconciliation

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NZ Millions	EBIT		NPAT	
	F12	F11	F12	F11
Reported Earnings	**125.2**	119.4	**89.8**	77.8
Warranty provisions	(7.3)	-	(7.3)	-
Electricity derivatives	-	(0.2)	-	(0.1)
Property divestments	(18.2)	(1.5)	(16.5)	(1.1)
Deferred tax adjustment	-	-	(0.8)	(0.6)
Adjusted earnings	**99.7**	117.7	**65.2**	76.0

Gains on property sales in Puhinui Rd 12.5M and Invercargill 5.7M

The Warehouse F12

NZ millions	F12	F11	Variance
Sales	**1,524.1**	**1,462.9**	+4.2%
Gross Profit	**534.1**	**519.8**	+2.8%
Gross Profit Margin	*35.0%*	*35.5%*	-50 bps
CODB	453.3	421.0	+7.7%
CODB Margin	*29.7%*	*28.7%*	+100 bps
EBITDA	**114.6**	**130.8**	-12.4%
Depreciation and Amortisation	33.7	32.0	+5.3%
Operating Profit	**80.9**	**98.8**	-18.1%
Operating Margin	*5.3%*	*6.8%*	-150 bps
Capital Expenditure	46.3	37.3	+$9.0m
Stock	268.2	226.5	+$41.7m

F12 Results reflect H2 momentum partially offsetting H1 apparel performance and increased CODB levels

The Warehouse F12 Highlights

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- Building momentum with sales and margin growth in H2 significantly stronger than H1, with apparel's H1 performance largely behind us
- Sales growth of $61.2m vs F11 (4.2%). Every category grew sales. Key performers were Jewellery, Consumer Electronics, Baby Care, Health & Beauty and Women's & Men's Apparel
- Smaller YoY decline in Music & DVD sales with an increase in gross profit over F11
- Online sales up 63%
- Positive sales and gross profit impact in refitted stores in line with expectations (small impact in F12 due to timing of refit openings)
- Gross profit growth of 2.8%, every category grew. Key performers were Health & Beauty, Gaming, Books, Indoor Furniture, Housewares and Consumer Electronics
- Sales per m^2 increased to $3,152.5 from $3,081.4

Warehouse Stationery F12 Results

NZ millions	F12	F11	Variance
Sales	**206.6**	**201.5**	+2.6%
Gross Profit	**83.6**	**82.7**	+1.1%
Gross Margin	*40.5%*	*41.1%*	-60 bps
CODB	**73.8**	**72.6**	+1.6%
CODB Margin	*35.7%*	*36.1%*	-40 bps
EBITDA	**15.3**	**15.0**	+1.8%
Depreciation and Amortisation	5.5	4.9	+10.9%
Operating Profit	**9.8**	**10.1**	-2.6%
Operating Margin	*4.8%*	*5.0%*	-20 bps
Capital Expenditure	5.3	6.2	-$0.9m
Stock	39.1	34.4	+$4.7m

Solid Sales & Gross Profit growth in F12 with margins down slightly due to the non recurring positive impact of postal sales in F11

Abridged Balance Sheet

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NZ millions	F12	F11	Variance
Inventory Trade Payables	309.4 (89.6)	262.7 (94.9)	+$46.7m +$5.3m
Net Investment in Inventory	**219.8**	**167.8**	**+$52.0m**
Receivables Other Creditors and Provisions	28.5 (81.9)	25.8 (82.9)	+$2.7m +$1.0m
Working Capital	**166.4**	**110.7**	**+$55.7m**
Fixed Assets Investments	368.6 6.4	316.1 7.6	+$52.5m -$1.2m
Funds Employed	**541.4**	**434.4**	**+$107.0m**
Tax Liabilities Derivatives	(2.8) (8.5)	(3.4) (33.3)	+$0.6m +$24.8m
Capital Employed	**530.1**	**397.7**	**+$132.4m**
Shareholders' Equity Minority Interests Net Debt	317.1 0.3 212.7	271.3 0.3 126.1	+$45.8m - +$86.6m
Source of Funds	**530.1**	**397.7**	**+$132.4m**

- Maintained higher stock levels over F12 to support sales & GP growth and seasonal entry
- Fixed assets growth primarily due to property development activity (Silverdale, Royal Oak) of $55.7m
- Increased net debt reflects higher stock levels and property development spending

Cash Flow Summary

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NZ millions	F12	F11	Variance
Trading EBITDA	**138.1**	**153.9**	**-$15.8m**
Change in Trade Working Capital	(53.8)	(13.5)	-$40.3m
Taxes Paid	(31.3)	(36.2)	+$4.9m
Interest Paid	(11.7)	(9.9)	-$1.8m
Other Items	3.2	2.6	+$0.6m
Operating Cash Flow	**44.5**	**96.9**	**-$52.4m**
Capital Expenditure	(101.4)	(65.9)	-$35.5m
Proceeds from Divestments	30.3	5.5	+$24.8m
Dividends Received	4.4	1.9	+$2.5m
Dividends Paid	(62.8)	(91.2)	+$28.4m
Other Items	(1.6)	(0.9)	-$0.7m
Net Cash Flow	**(86.6)**	**(53.7)**	**-$32.9m**
Opening Net Debt	(126.1)	(72.4)	N/A
Closing Net Debt	(212.7)	(126.1)	-$86.6m
Cash Conversion	45.8%	85.3%	

- Lower operating cash flow primarily due to higher stock levels
- Increase in capital expenditure primarily reflects property development including Silverdale and Royal Oak
- Dividend - no special dividend paid in F12
- Expectation for F13 cash conversion is to revert to historical levels

Debt / Gearing

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NZ millions	F12	F11
Net Debt	**212.7**	**126.1**
Total debt facilities	**300.0**	**275.0**
Gearing	**40.1%**	**31.7%**
Interest Cover	**12.2 X**	**12.1 X**
Net debt adjusted for post FY property sales	**95.7**	
Gearing adjusted for post FY property sales	**20.4%**	

- Net debt has increased $86.6m due to property development ($55.7m) and investment in increased stock ($46.7m)
- $117m in proceeds from post balance date property sales will be used for debt reduction and investment in the business as outlined in our strategic plan
- Reaffirm our target for core debt of $150m

Property

- Six new store openings, one Red store in Whitianga, and five Blue stores in Te Awamutu, South Dunedin, Rangiora, New Plymouth and Te Rapa
- Transactions completed in F12 included sale of Puhinui Road Distribution Centre and Invercargill store
- Transactions completed post F12 included sale of Snells Beach, Palmerston North, Queenstown stores and North Island Distribution Centre for a total of $117m and a gain of $62m-$64m
- Large developments (Silverdale, Royal Oak) on track to open in October 2012, Mt Roskill due to open in January 2013
- Good progress in consolidation of retail footprint with further opportunities to “right size” stores identified
- 10 Red stores underwent a refit in F12 (5 underwent modernisation), 19 refits planned for F13 (13 stores to undergo modernisation)

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STRATEGY UPDATE

Strategy: Key Result Areas

Clear Brand Positioning and Personality: "House of Bargains & Home of Essentials"

Clear 'Way of Working' Framework: "Customer led, Store focused & People centred"

Community and Environment

Store Experience:
Execution and Rejuvenation

Category Strategies and Gross Profit Dollar Growth

Multi Channel and Direct Customer Engagement

Improved Store Experience (Execution & Rejuvenation)

- "The store is the physical embodiment of the brand and all that it stands for"
  - 300 people added back to our stores to better improve customer experience
  - $40m stock added back into our stores to better improve product availability, seasonal entry and exit, and support growth strategies
  - Store internal refit program underway with 10 stores completed in F12 and plan on track for remaining stores
  - Store external modernisation program underway with 5 stores completed in F12 and plan on track for remaining stores
- These investments are paying off with improved shopping experiences

Significant improvement in store experience and early refits show positive results

Category and Gross Profit Growth

- Category Strategy – clear definition of categories role and growth potential
- Range hierarchy – Basic, Better, Best
- Execution of stronger parallel import sourcing program
- Brands vs Private label
- Fit for Purpose product quality
- Price Optimization
- Clear focus on seasonal entry and exit timing
- Origin Strategy – China vs Rest of World

Bringing alive the “House of Bargains” and “Home of Essentials”

Multi Channel

- Significant number of activities have been implemented over the past few months to allow us to offer our customers a retail experience when, how and where they want it

  - BizRewards – Broadened from Blue only to Blue & Red to allow business customers to purchase on account from Red stores (July)
  - Online – Full range online, 40,000 skus available on www.thewarehouse.co.nz (July)
  - Red Alert – launched one day deal site (August)

RED ALERT ONLINE ONLY

Following the customer, what they want, where they want it and when they want it

Summary

- Positive Sales Growth trends reversing recent historical declines
- Positive Gross Profit growth in F12, primarily in H2, reflecting sales growth and H1 apparel issues which are largely behind us
- Learnings from H1 apparel issues being embedded
- Investment in store refits, labour and stock is paying off in Sales & Gross Profit growth and with our customers shopping experiences
- CODB reduction initiatives have seen favourable impact in H2, however, we still need to grow Sales & Gross Profit further to cover recent CODB increases
- Earnings while lower than F11, was at high end of guidance and saw positive momentum in H2
- Strong balance sheet & high dividend payout maintained

Although early days our strategy is showing encouraging signs

DIVIDEND & F13 OUTLOOK

Dividend

- Final dividend 6.5 cents per share, fully imputed at 30 percent
- Record date: 2 November 2012
- Payment date: 14 November 2012
- Total dividend for the year 20.0 cents per share
- Dividend payout represents 95.5% of adjusted net profit after tax

Outlook and Earnings Guidance

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- We expect the retail sector to continue to experience mixed trading conditions in F13
- Our earnings are significantly influenced by the Christmas trading performance over the critical January quarter, which means it is too early to provide specific earnings guidance
- Key elements of the Group's strategic plan including investments in store experience and multichannel, together with category and margin dollar growth strategies should ensure adjusted NPAT in F13 is above that recorded in F12
- A sales update for the Q1 F13 period ending 28 October 2012 is due for release on Friday 9 November 2012.
- Subject to any event or material change in trading conditions that may trigger a continuous disclosure obligation, earnings guidance will be provided at the time of the half year result announcement in March 2013

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QUESTIONS